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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Friday, 5 January 1990



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USSR:

Lithuanians Optimistic After Meeting Gorbachev

General Secretary Gorbachev [REDACTED] has indicated he will not stand in the way of Lithuanian Communist Party independence, even though there is opposition to his views in the CPSU Central Committee.

Gorbachev a week ago told breakaway Lithuanian Communist Party leader Brazauskas that Lithuania could have an independent party and full economic autonomy provided that the republic would refrain from seceding until after the 28th CPSU congress, currently scheduled for October, [REDACTED]

Leaders of the breakaway party say their meeting with Gorbachev and other Politburo members in Moscow yesterday has left them convinced that Gorbachev will not stand in the way of Lithuanian party independence. The Lithuanians said, however, that some Central Committee members are advocating strong measures against separatist efforts [REDACTED]

[REDACTED]

Gorbachev has deferred his trip to Lithuania until next Wednesday and postponed his meetings with foreign officials scheduled for this month because of domestic concerns, [REDACTED]

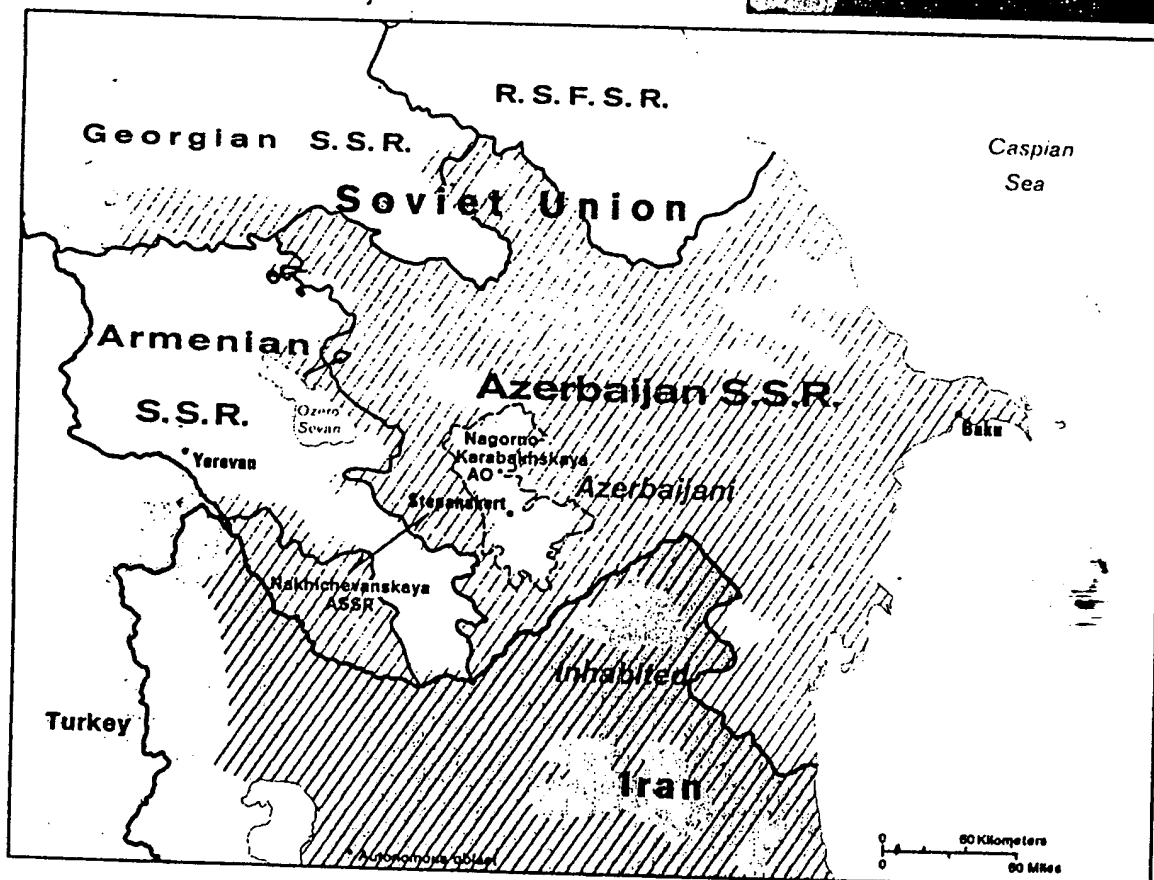
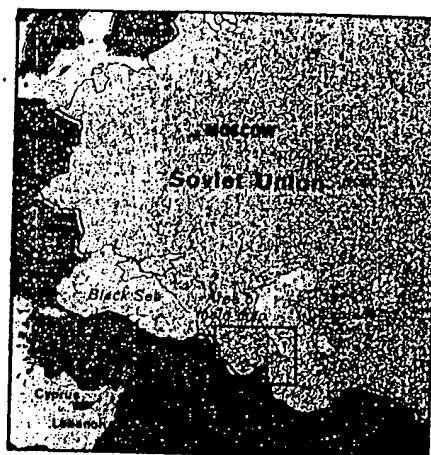
The General Secretary almost certainly realizes the maverick Lithuanian party is not going to back down, even in the face of political and economic sanctions. He is probably looking for ways to buy time, such as moving up the party congress, to let immediate tensions cool. Soviet spokesmen have acknowledged support in the Central Committee for more forceful measures, but Gorbachev is likely to gain agreement for a further delay in any precipitous action. He may calculate that sanctioning a referendum among Lithuanian party members on the decision to split with the CPSU—such a vote almost certainly would show overwhelming support for the decision—may give him additional leverage to use against hardline CPSU officials. Independence for the Lithuanian party probably would encourage traditionalists in the leadership to pursue antisecession laws, but such proposals would almost certainly be defeated in the Soviet legislature [REDACTED]

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USSR:

Azeris Still Agitating on Iranian Border

Disturbances continue throughout southern Azerbaijan and the Nakhichevan Autonomous Republic; Moscow is likely to give in to some of the protesters' demands for a more open border with Iran. [REDACTED]

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Moscow sent a high-level delegation, including party secretary Andrey Girenko, to investigate the disturbances yesterday. [REDACTED] the disturbances have died down and that the protesters are returning home. [REDACTED] the situation remains tense. [REDACTED]

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[REDACTED] the protests will continue until Sunday and [REDACTED] will remove border restrictions such as fences and watchtowers if Moscow does not; many of the protesters are calling for the right to reclaim farmland near the border and to cross into Iran freely. [REDACTED] the Soviets are evacuating the families of border guards. [REDACTED]

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[REDACTED] The Azeri situation is far from calm and could worsen. In seeking to put the best face on events, the Soviets are no doubt trying to ease concern in Iran and other neighbors that Moscow cannot control its borders. The Soviets are also mindful of the potential for similar actions by other ethnic groups located along sensitive borders. [REDACTED]

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To avert a larger border crisis and limit international embarrassment, Moscow probably will have to give in to Azeri demands and lift at least some of the border restrictions. [REDACTED]

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EAST GERMANY: Opposition Asserts Itself

The East German opposition's new electoral coalition improves its prospects in the coming election and may stiffen its position with the government. b3

Six opposition groups announced late Wednesday that they have formed "Electoral Alliance 90," which will sponsor candidates in the election on 6 May. The alliance [redacted] will develop a joint program, but the constituent parties and groups will retain separate identities. It includes the three largest opposition groups—New Forum, Democratic Awakening, and the East German Social Democrats. b3

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Opposition groups have recently been in conflict with Premier Modrow's interim government over the future of the intelligence and security services. They have called on the government to postpone forming any new security organization until after the election and have threatened to boycott the roundtable talks unless the government proves all security forces have been disarmed. b3

[redacted] Although the opposition coalition's membership is centrist and left leaning, none of its members alone could command more than moderate public support. Moreover, by pooling efforts and accepting aid from West German parties, the coalition may be able to overcome a lack of financial and technical resources. Its cohesion is likely to fray after a victory, however, under pressure from policy differences and continued agitation for German reunification. b3

The electoral alliance will strengthen the opposition in the roundtable talks, which probably means increased conflict with the government in coming weeks as Modrow submits reform proposals to the legislature. b3

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PANAMA:

High Expectations for US Aid

Panamanian officials have outlined tentative economic plans to US officials this week and have described their initial requirements for financial assistance from Washington.

A solution to the housing needs of almost 3,000 residents displaced by the recent fighting is the government's top priority. Panamanian officials have proposed that a 2,500-unit apartment complex be built in the lower-class Chorrillo neighborhood surrounding the former Defense Forces headquarters, financed by at least \$38 million in US assistance. The Housing Ministry may also consider an alternative plan—to be financed by the US—under which displaced residents would receive a combination of loans and grants to purchase housing elsewhere in Panama. Efforts to clear rubble in the damaged neighborhood began this week.

Panamanian Chamber of Commerce officials say Panama may consider submitting a \$1 billion request for indemnification by the US. Vice President Ford has acknowledged that Panama's \$220 million arrearage to the IMF needs to be cleared, but the new government has not presented a plan to deal with the debt issue. Officials in the electrical institute point to shortages of spare parts and losses due to illegal connections and poor billing in the past. Meanwhile, the Agriculture Minister has requested \$6 million to get sugar mills back in operation for this month's harvest, asking that Washington restore Panama's sugar quota at more than double its previous level.

The new government, which almost certainly believes the US has an obligation to get the economy back on its feet, expects large-scale financial resources from Washington. Some citizens are likely to become disillusioned with the Endara government if solutions to housing losses and other highly visible economic problems are not found soon.

Funds released from escrow accounts under the US sanctions and US emergency aid have allowed the government to meet its most pressing economic need—paying the civil service on time. Nevertheless, Panama City has not announced any noteworthy reconstruction initiative, and short-term economic planning seems dependent on the amount of US financial assistance made available. Panama probably will avoid negotiations with international creditors until Washington's aid intentions become clearer.

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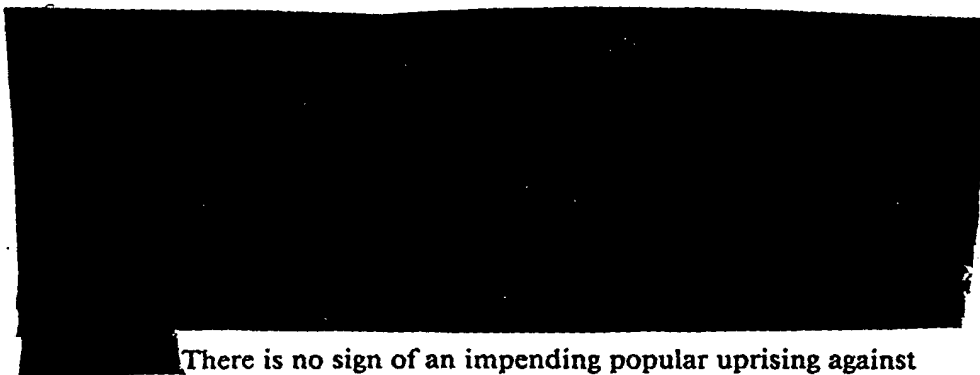
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SYRIA:

Eastern Europe Raising Concerns in Damascus

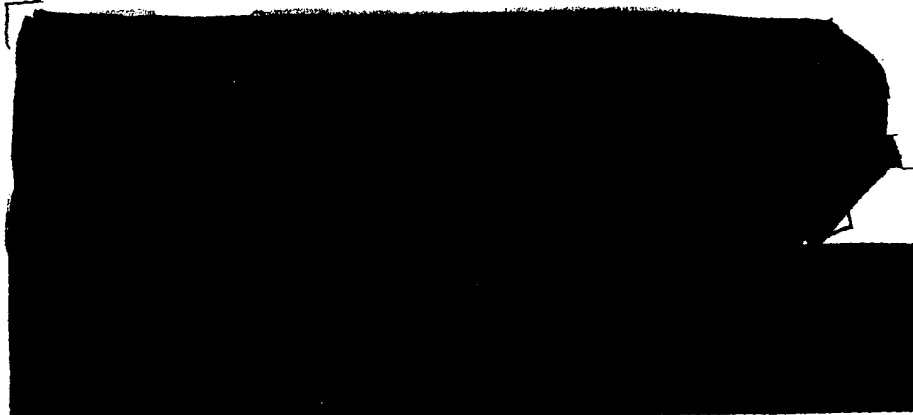
Syrian leaders are worried that developments in Eastern Europe, particularly the fall of Romanian President Ceausescu, are encouraging dissent in Syria.

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There is no sign of an impending popular uprising against Assad. He retains the overall loyalty of the ruling party and key military and security units. Assad, like many Arab leaders, had close relations with Ceausescu, however, and almost certainly is worried that events in Romania might inspire popular calls for change in Syria. The repressive nature of the Syrian regime, the dominance of the Ba'th party and of Assad's minority Alawi community, widespread government corruption, and a variety of economic and social woes have engendered dissident activity in Syria during the past decade.

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CHINA:

Worker Unrest Growing

China's austerity program is causing unemployment to soar and urban living standards to fall, intensifying worker discontent. [REDACTED] b3

Hong Kong press reports says unemployment is rising because the austerity measures have caused industrial production to grow at less than a 2-percent annual rate since September—as compared with almost 18 percent in 1988—and 20 percent of China's factories have stopped production. Beijing last week acknowledged the slump may push urban unemployment this year to a 10-year high of more than 6 million people. [REDACTED]

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[REDACTED] financially strapped factories have slashed yearend bonuses and limited millions of workers to part-time employment. Meanwhile, authorities have forced workers for the past few months to spend as much as half their salaries to buy government bonds. [REDACTED] b3

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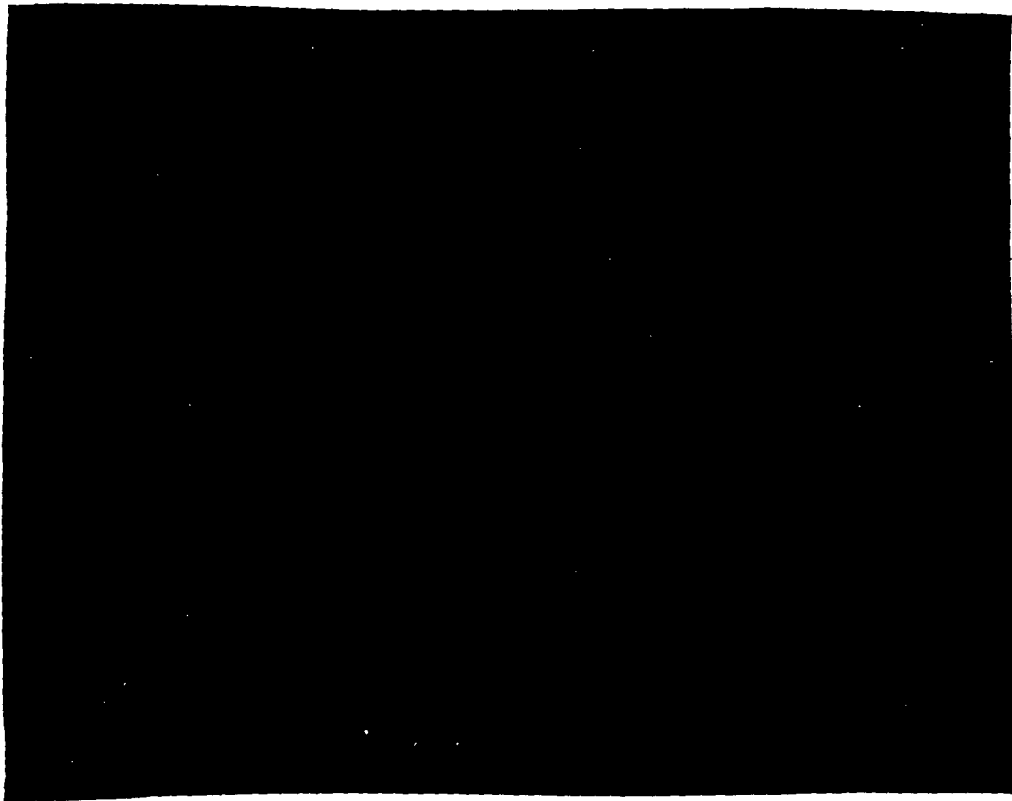
b3 [REDACTED] Although Beijing has ordered the Central Bank to increase lending to selected industries and is pressing factory managers and local governments to provide support to laid-off workers, the leadership remains committed to its tight credit policies. Minor relaxations of the austerity measures are not likely to pacify workers, and, in the highly charged atmosphere in China's factories, shopfloor disputes could escalate quickly into wildcat strikes or violent confrontations with authorities. [REDACTED] b3

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ROMANIA: Ban on Foreign Borrowing Lifted

The ruling National Salvation Front on Wednesday formally lifted Nicolae Ceausescu's ban on foreign borrowing. His obsessive effort to repay Romania's foreign debt even at the expense of driving down living standards to poverty levels has left the country virtually debt free.

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Foreign borrowing nonetheless probably will play only a minor role in reviving the economy before the election scheduled for April. Western bankers are likely to want to wait until the political situation stabilizes and the new government decides its economic policy. Bucharest has not indicated whether it will request funds from multinational institutions such as the IMF and World Bank—it belongs to both organizations. Neither though is likely to begin lending until the new government demonstrates its commitment to decentralize the economy, introduce market prices more widely, and increase the role of the private sector. Official Western lending probably will increase as long as political and economic reforms continue, but Bucharest will find itself in stiff competition with other East European countries for limited funds.

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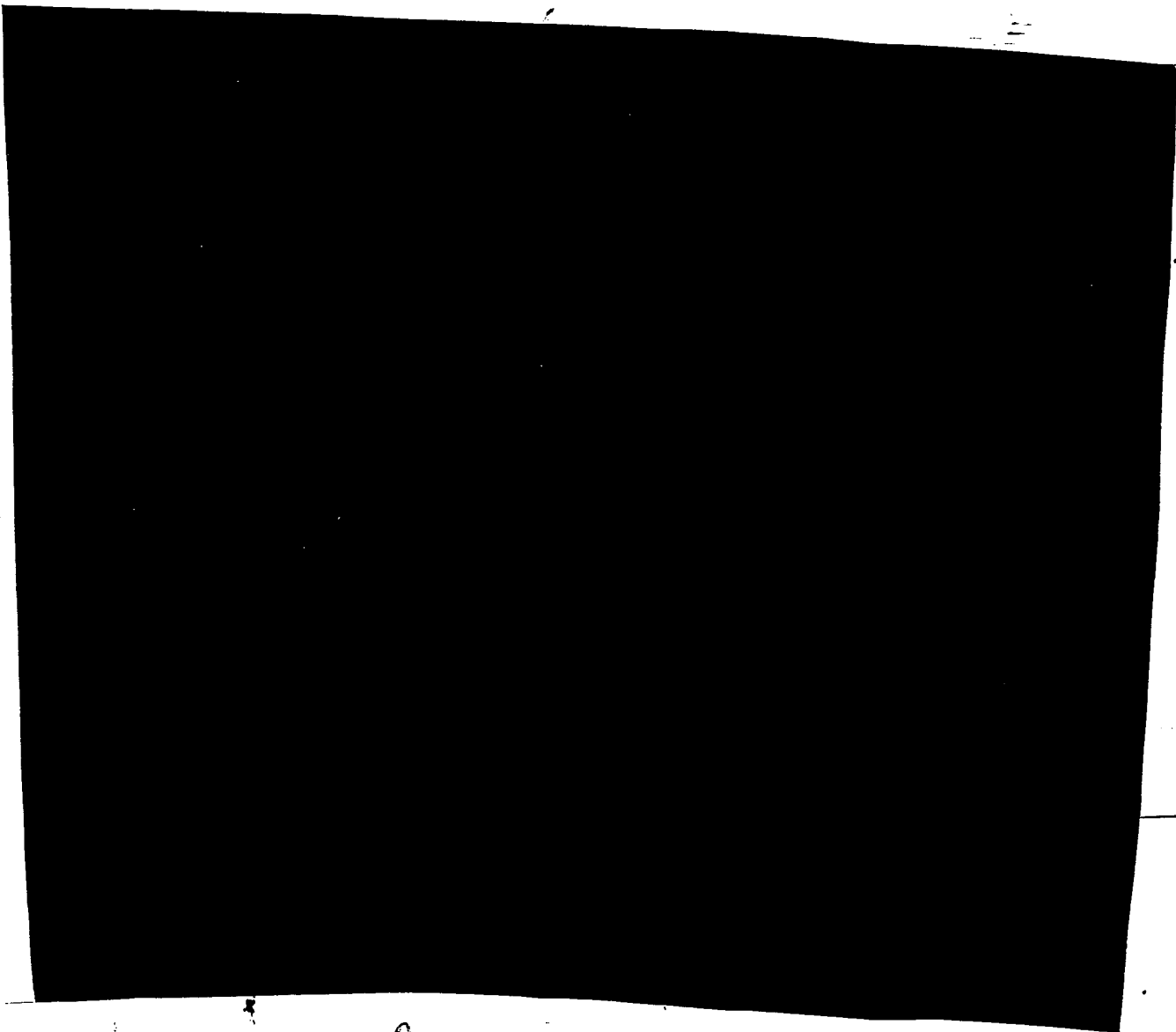
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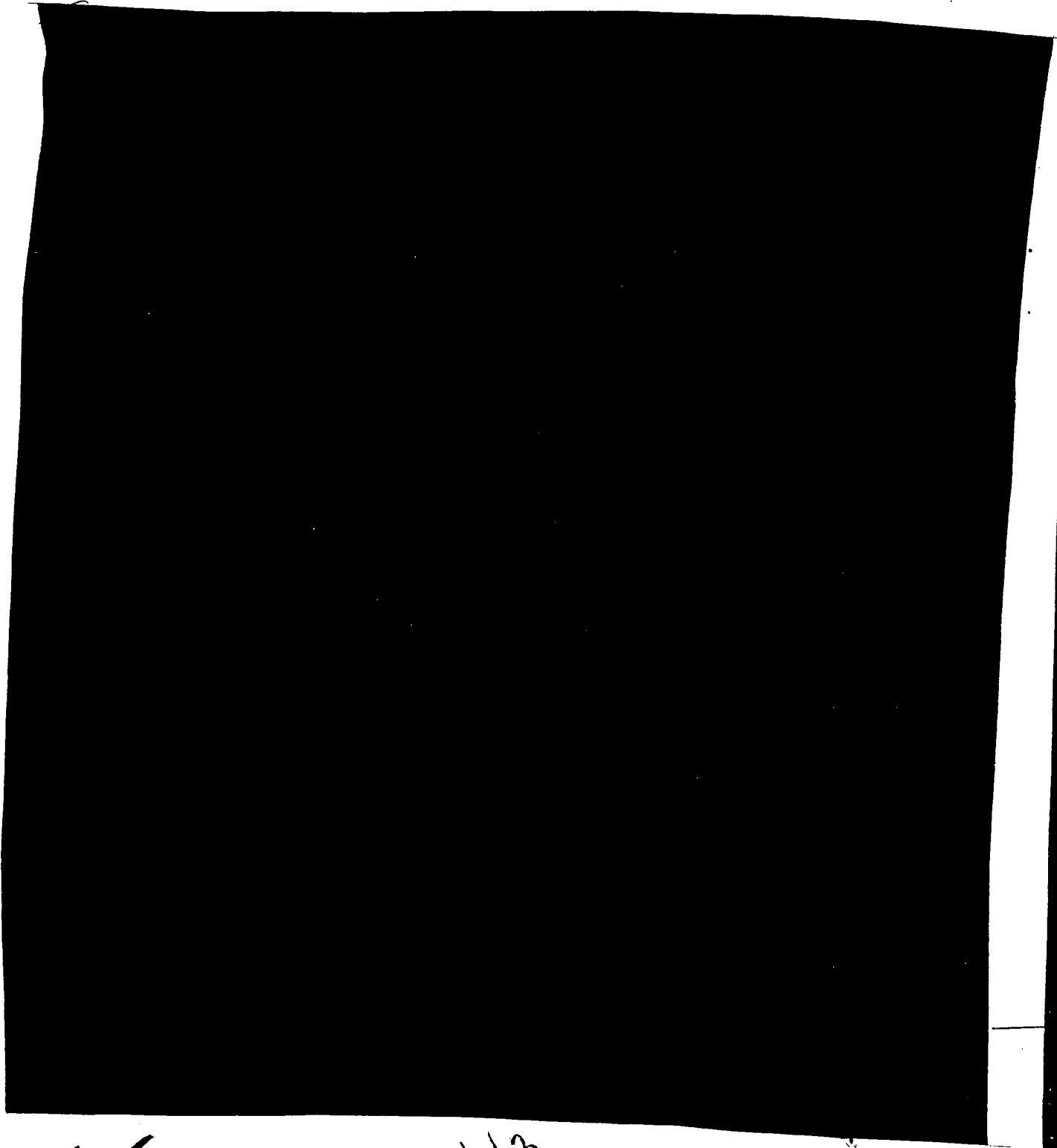
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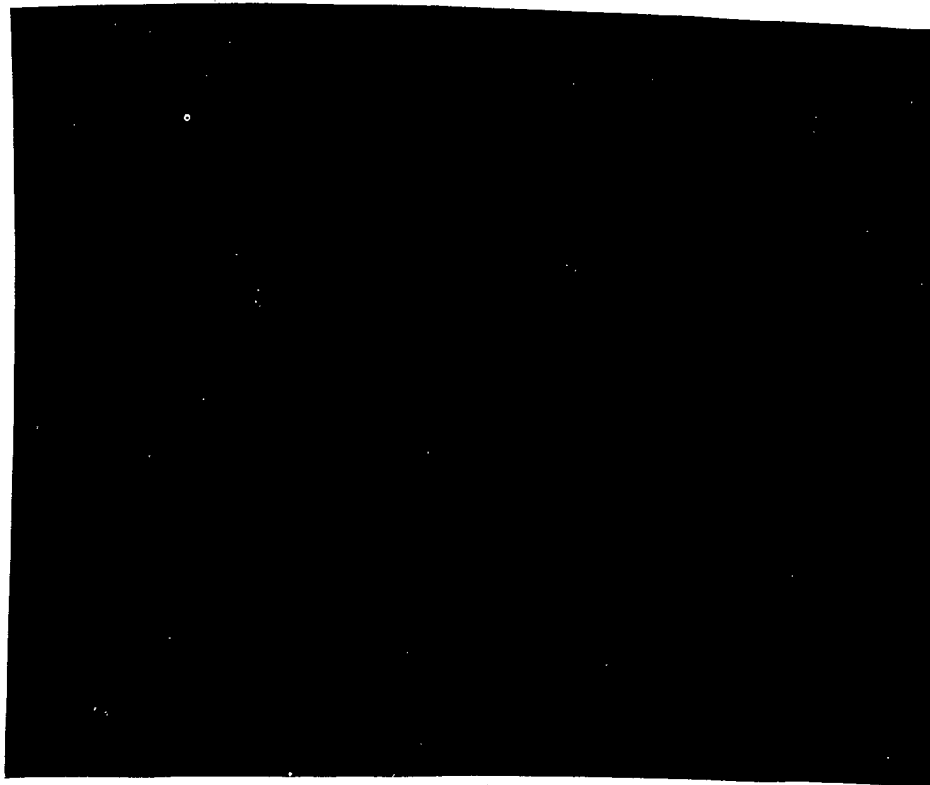
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CHINA-TAIWAN: Heightened Reunification Rhetoric

The Chinese leadership is concerned about what it regards as a ground swell of support on Taiwan for independence; it continues to accuse Taipei of trying to "split China." Beijing's New Year's greeting to Taiwan's ruling party was especially harsh, denouncing its "regressing" on the reunification issue. Chinese media allege proindependence groups are pursuing a 10-year timetable to win Taiwan's independence.



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The barrage of harsh rhetoric from Chinese leaders clearly is intended to bully Taipei into stilling calls for independence, the focus of public debate on the island since the election last month.

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Deng and other Chinese leaders may also be trying to promote unity within their own military—troubled by increased social tensions at home—by diverting attention to another issue, Chinese sovereignty.

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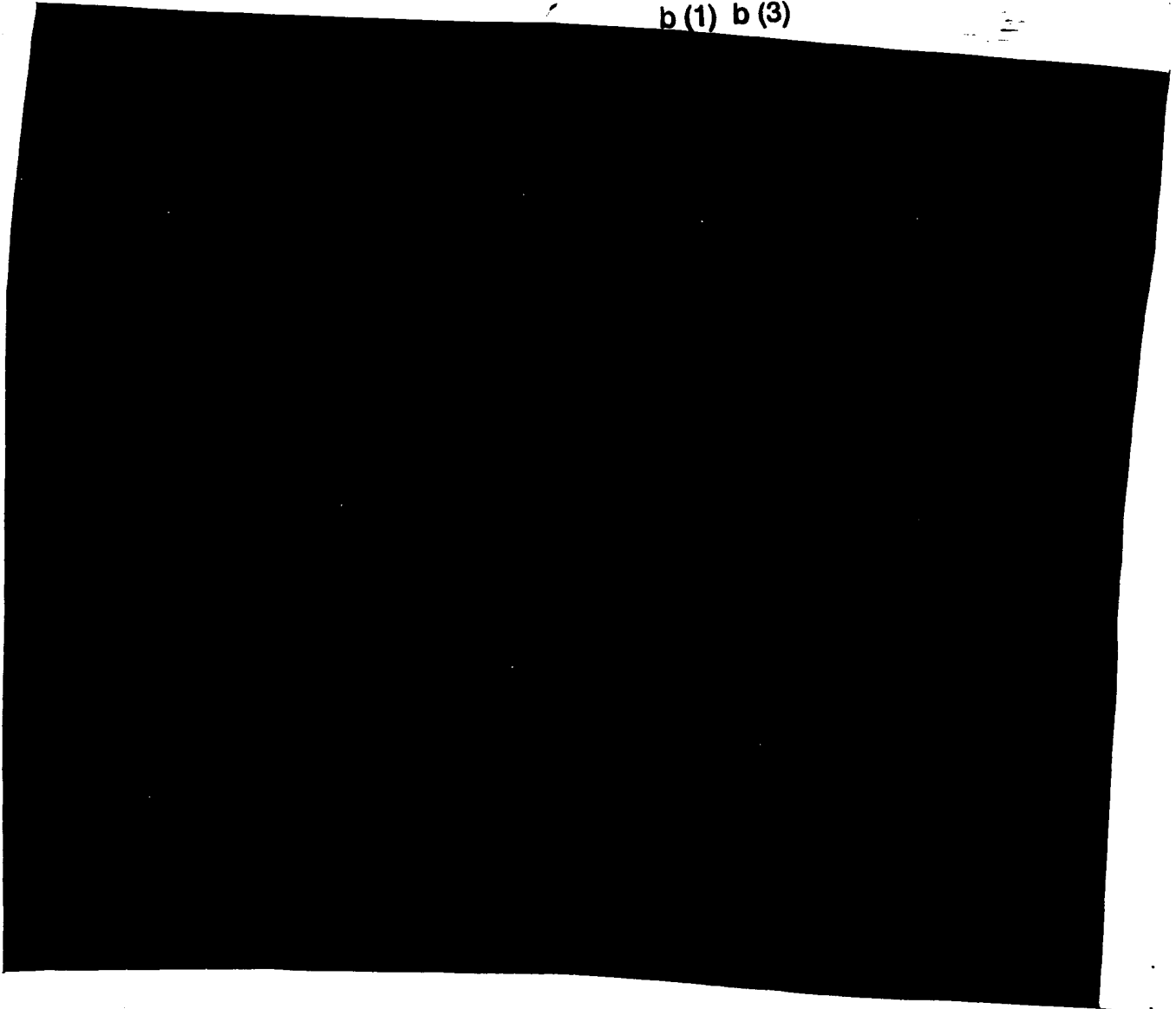
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In Brief

South Asia

— Abdul Haq, Afghan interim government's internal security chief, will visit Washington next week . . . faces formidable obstacles to his ambitious security, counternarcotics programs . . . identifies closely with West, eager for US help, funds. [REDACTED] b(3)

Europe

— Czechoslovakia proposing thorough overhaul of CEMA ... will join other reformers at CEMA session next Tuesday in urging switch to hard currency, world prices in intra-CEMA trade ... threatening to withdraw if changes not made. **b (3)** *hiz*

Americas

— Haitian President Avril [redacted] off to Taiwan this weekend to seek aid ... offers chance for disgruntled military, rightist plotters ... family, de facto vice president accompanying, raising possibility Avril may not return. [redacted] b3

East Asia

_____ Soviet Deputy Foreign Minister Rogachev to visit China beginning Monday to discuss Cambodia . . . visited Indochina last month . . . seeking flexibility in Beijing's position, b (3) _____ areas of agreement. _____ b3

[REDACTED]

— Taiwan Economics Ministry Wednesday proposed lifting ban on direct trade with USSR . . . hopes to increase access to Soviet raw materials, boost exports of clothing, electronics products, plastics, enhance international position. [REDACTED] b3

[REDACTED]

Oceania

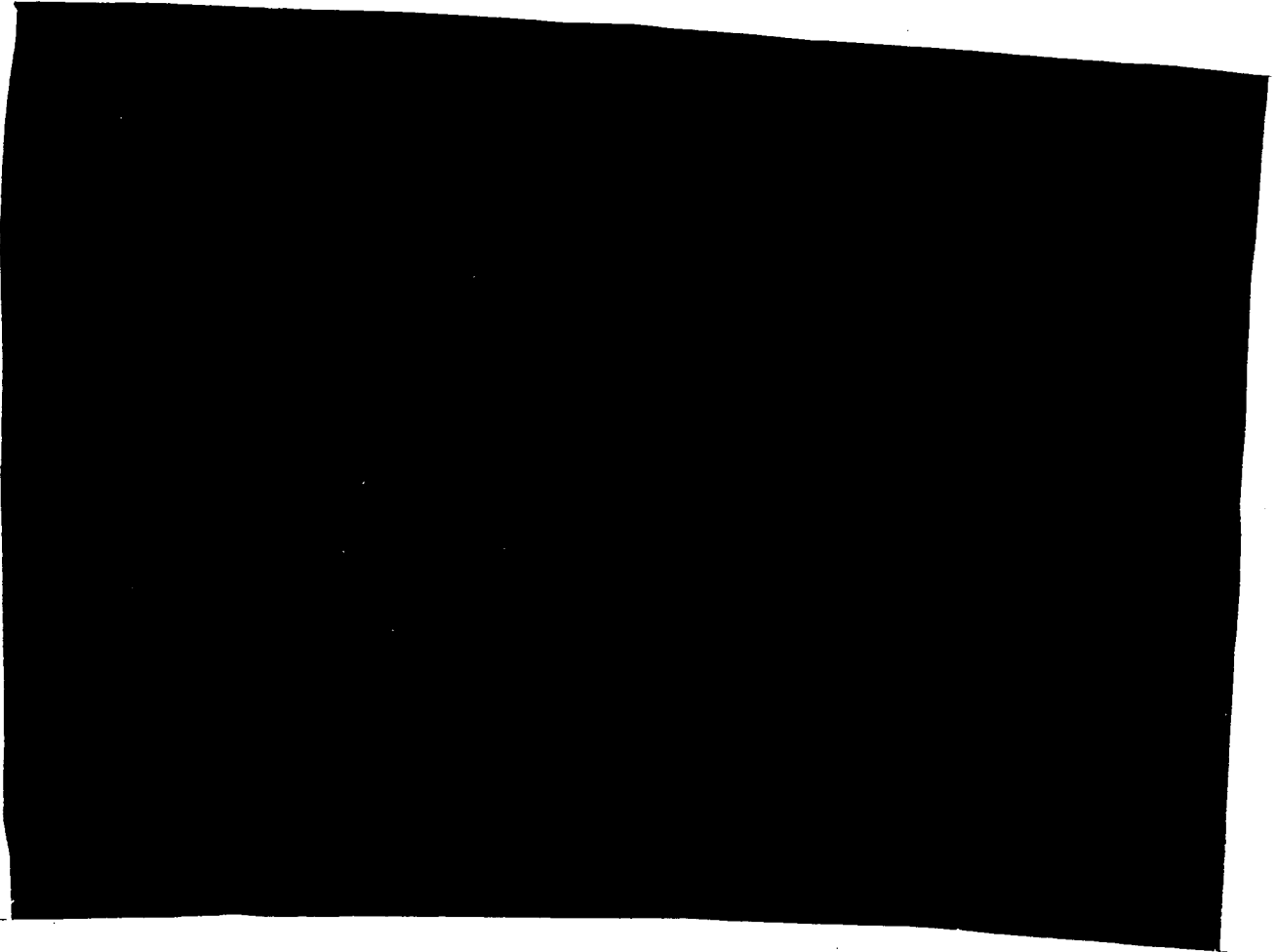
✓ Papua New Guinea bracing for possible rioting following death of Governor General from illness . . . antigovernment elements may exploit funeral held today . . .

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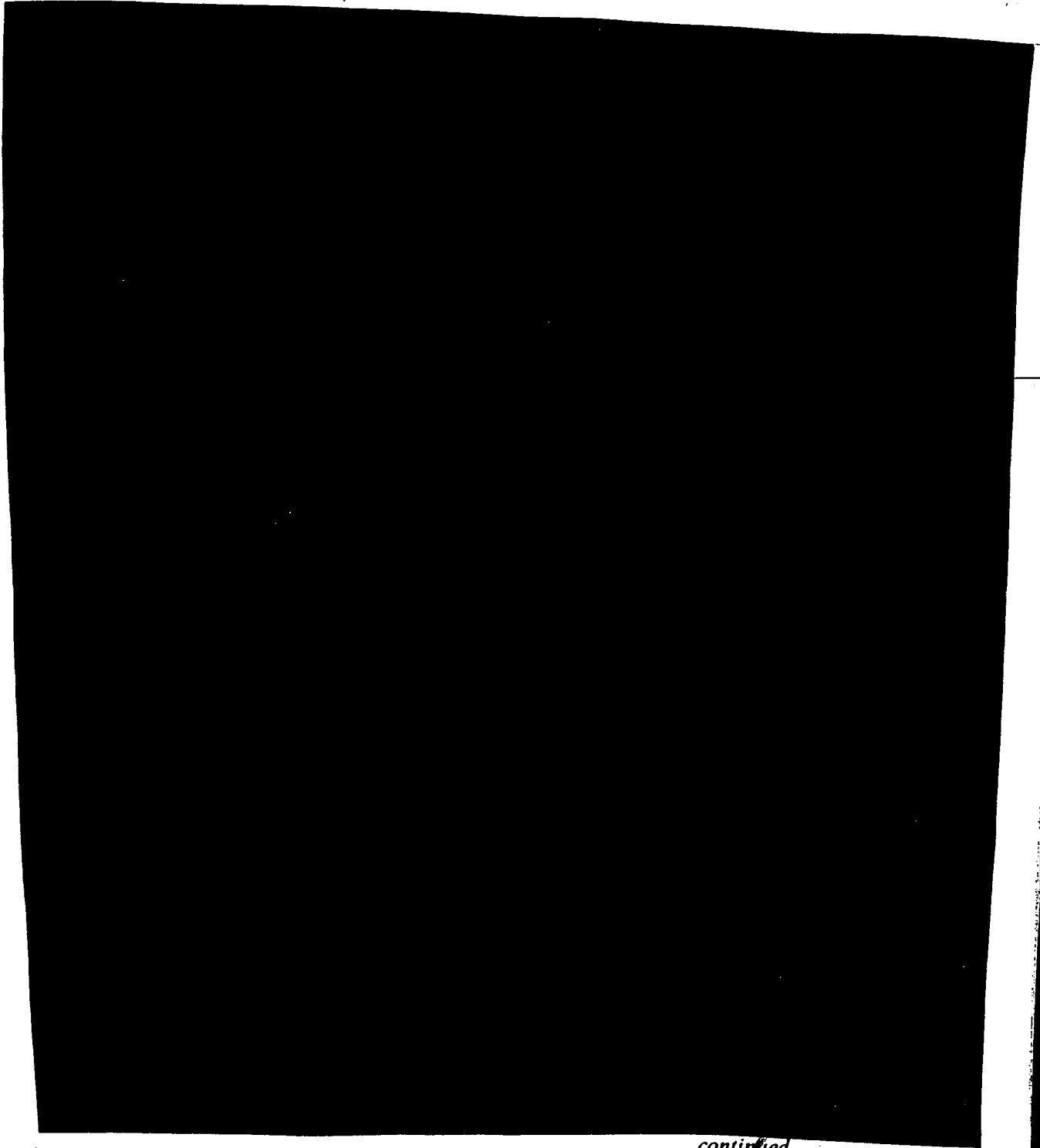
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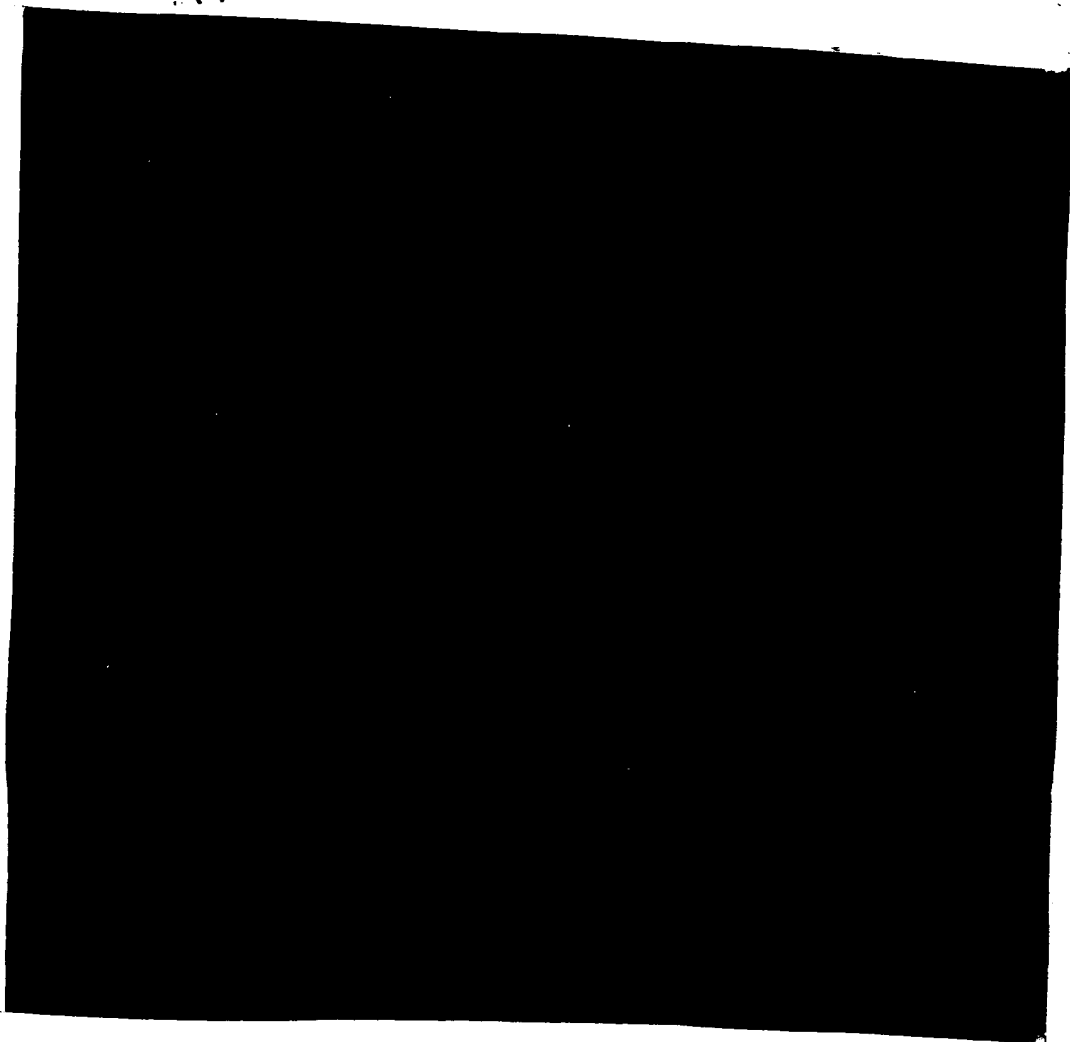
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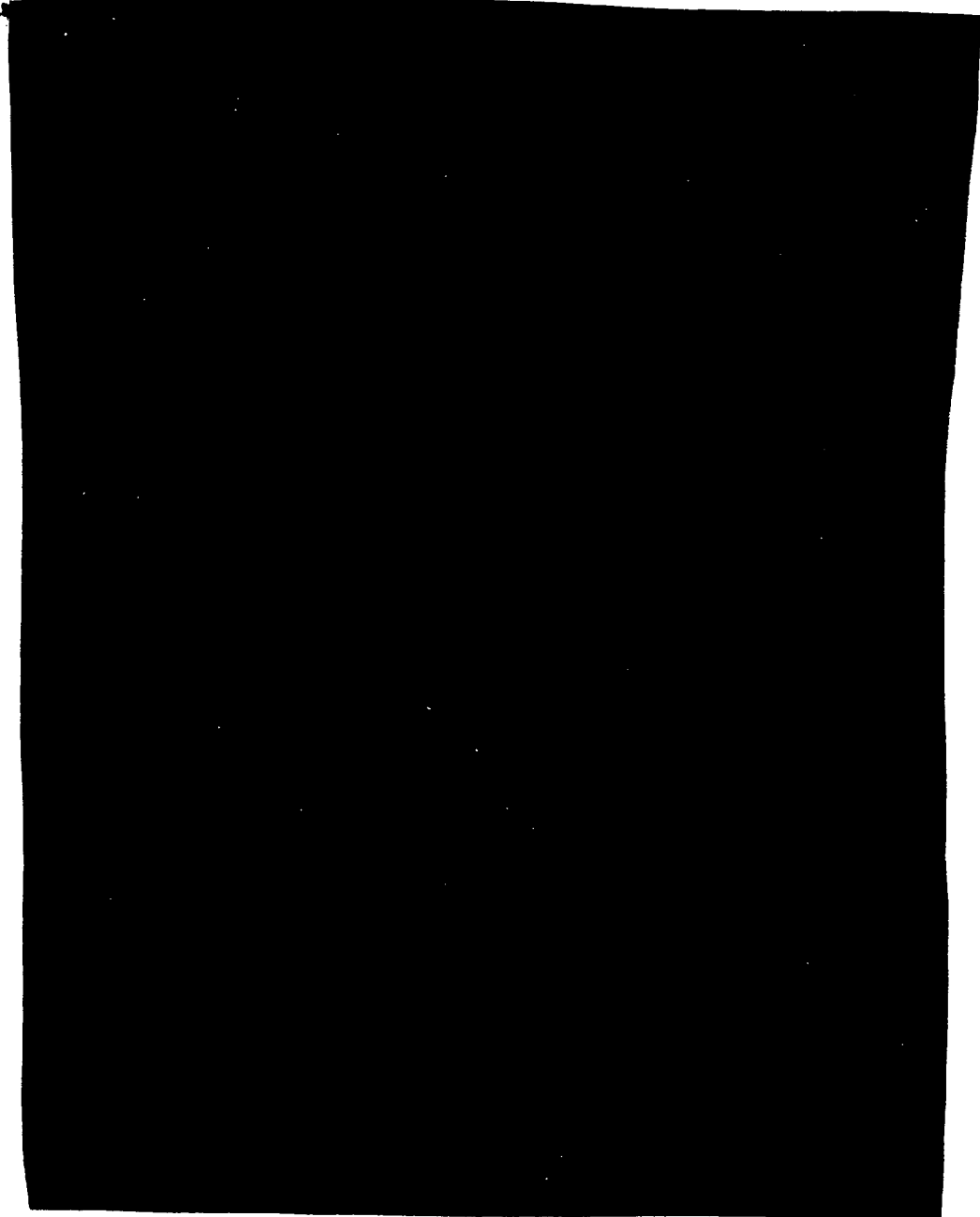
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Special Analysis

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